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Final Crop Insurance Decisions by March 15

March 15 is the deadline to purchase crop insurance for the 2016 crop year for corn, soybeans, and spring wheat in Minnesota and other states in the Upper Midwest.

On March 1, the USDA Risk Management Agency announced the 2016 crop prices in the Upper Midwest for yield protection (YP) policies, as well as the base prices for revenue protection (RP and RPE) policies. The 2016 established YP, RP, and RPE prices are $3.86 per bushel for corn, $8.85 per bushel for soybeans, and $5.13 per bushel for spring wheat.

The 2016 base prices for RP policies for corn are at the lowest level since 2006. The 2016 base prices for RP policies for soybeans are at the lowest level since 2007.

The 2016 corn RP base price of $3.86 per bushel compares to recent RP base prices for corn of: $4.15 per bushel in 2015 and $4.62 per bushel in 2014. Similarly, the 2016 soybean RP base price of $8.85 per bushel compares to recent RP base prices for soybeans of $9.73 per bushel in 2015 and $11.36 per bushel in 2014. The 2016 spring wheat RP base price of $5.13 per bushel compares to recent RP base prices for wheat of $5.85 per bushel in 2015, $6.51 per bushel in 2014, and $8.78 per bushel in 2013.

The lower 2016 base prices mean that revenue guarantees will be lower for 2016 at various RP insurance levels and similar actual production history (APH) yields, compared to previous years. For example, assuming a 180 bushel-per-acre APH corn yield on a farm unit, the 2016 revenue guarantee with an 80 percent RP crop insurance policy would be $555.84 per acre. By comparison, the revenue guarantee at that APH yield level with an 80 percent RP policy would have been $597.60 in 2015, $665.28 in 2014, and

Kent Thiesse
Farm Analyst, Vice President
MinnStar Bank, NA
Lake Crystal, MN

kent.thiesse@minnstarbank.com
(507) 381-7960

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$813.60 in 2013. The 2016 revenue guarantee would increase to $590.59 with an 85 percent RP crop insurance (maximum) level.

Similarly with soybeans, assuming a 50 bushel-per-acre APH yield on a farm unit, the 2016 revenue guarantee with an 80 percent RP crop insurance policy would be $353.92 per acre. By comparison, the revenue guarantee at that APH yield level and an 80 percent RP policy would have been $389.20 in 2015, $454.40 in 2014, and $514.80 in 2013. The maximum 2016 RP insurance coverage for soybeans with a 50 bushel-per-acre APH rate at the 85 percent coverage level would be $376.13.

According to Minnesota farm business management (FBM) records, the average corn production costs for direct expenses and land rent on cash-rented land in 2013 were $767.57 per acre. This meant that with an 80 percent RP insurance policy, along with a 180 bushel-per-acre APH rate, and a revenue guarantee of $813.60, a producer could fully insure their crop input costs in 2013. By comparison, direct expenses and land rent for 2016 are estimated at approximately $660.00 per corn acre, assuming a cash-rental rate of $250 per acre. A producer can only insure 84 percent of their crop input expenses in 2016 with an 80 percent RP policy with a 180 bushel per acre APH, and a revenue guarantee of $555.84.

Similarly with soybeans, the average FBM production costs for direct expenses and land rent on cash-rented land in 2013 were $436.39 per acre. This meant that with an 80 percent RP insurance policy, along with a 50 bushel-per-acre APH rate, and a revenue guarantee of $514.80, a producer could adequately insure their crop input costs. Direct expenses and land rent for 2016 are estimated at approximately $432 per soybean acre, which includes a land rental rate of $250 per acre. A producer can only insure 82 percent of their crop input expenses in 2016 with an 80 percent RP policy, with a 50 bushel-per-acre APH rate, and a revenue guarantee of $353.92.

In addition, producers also have overhead expenses for farm machinery and loan payments on capital investments, as well as any allocated returns to labor and family living. These expenses also would not be covered by the 2016 crop insurance guarantees for corn and soybeans. The bottom line is that there is considerable more financial risk in crop production in 2016 than there was a few years ago, and producers need to take this into account in selecting their 2016 crop insurance coverage, and in developing their overall risk management plans.

Producers who normally utilize 80 percent RP insurance policies for corn and soybeans may want to consider enhancing their coverage level to an 85 percent RP policy for 2016, in order to insure a greater portion of their 2016 crop production investment. The lower RP insurance guarantees tend to lower crop insurance premium levels at comparable coverage levels, compared to previous years. When available, the use of trend-adjusted APH yields, as well as low-yield year exclusions, can also help expand crop insurance coverage, with very little added premium costs. Farm operators also need to link their grain marketing plan with their crop insurance coverage, as part of an overall risk-management strategy.

Producers are encouraged to discuss various insurance options, as well as other 2016 crop insurance needs and alternatives, with their crop insurance agent before making final decisions by March 15. The University of Illinois FarmDoc website is a good resource to compare average premium rates and coverage amounts for various crop insurance products, as well as the likelihood of insurance payment for various crop insurance coverage options, for various counties in the Midwestern states.

For more information, contact Kent Thiesse, Farm Managment Analyst and Vice President, MinnStar Bank, Lake Crystal, MN. Thiesse is at kent.thiesse@minnstarbank.com or 507-381-7960.